

## **Program B: Claims Losses and Related Payments**

Program Authorization: R.S. 39:1527-1544

### **PROGRAM DESCRIPTION**

The mission of the Claims Losses and Related Payments Program in the Office of Risk Management is to minimize losses and achieve financial stability.

The goal of the Claims Losses and Related Program in the Office of Risk Management is to budget a sufficient amount of funds to pay all claims losses, adjusting expenses and excess insurance costs.

### **OBJECTIVES AND PERFORMANCE INDICATORS**

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2001-2002. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

1. (KEY) To pay 100% of the current claims costs and excess insurance costs from current requested premiums.

Strategic Link: This operational objective is not linked to the Office of Risk Management's (ORM) current strategic plan. The Office of Risk Management will complete revisions to its strategic plan in the beginning of FY 2001-2002.

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

Explanatory Note: The Office of Risk Management indicates that it pays claims from the premiums it bills to other agencies. When sufficient premiums are not budgeted and billed, the deficit for the program will increase, resulting in inability to pay claims, inability to provide a full-service self-insurance program, bond rating problems, etc. Therefore, ORM indicates that it is important that ORM request and be allowed to bill sufficient premiums. This performance indicator provides an indication as to whether the premium requested and budgeted will be sufficient to pay the claims expenses for the current year without increasing the deficit.

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 2 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Percentage of current claims costs paid from current premiums <sup>1</sup>	Not applicable <sup>2</sup>	100% <sup>2</sup>	Not applicable <sup>2</sup>	80%	100%	72% <sup>2</sup>

<sup>1</sup> The Office of Risk Management indicates that this performance indicator is calculated by dividing the budgeted premium at Executive Budget recommended funding level (\$100.2 million) by the projected claims and excess insurance costs (139.1).

<sup>2</sup> This is a new performance standard for FY 2001-2002. It did not appear under Act 60 or Act 2 and does not have a FY 1999-2000 or FY 2000-2001 performance standard. The value shown for existing performance standard is an estimate not a standard.

**GENERAL PERFORMANCE INFORMATION: WORKER'S COMPENSATION,  
SOUTHERN STATE COMPARISON**

STATE	NUMBER OF FULL TIME EMPLOYEES	PAYROLL	AVERAGE PAID LOSSES PER YEAR	LOSSES PER YEAR PER FULL- TIME EMPLOYEE	RANK LOWEST TO HIGHEST
Alabama	32,000	\$1,000,000,000	1,970,000.00	\$61.56	1
Arkansas	43,336	\$2,000,000,000	Not available	Not available	Not available
Florida	198,157	\$6,000,000,000	73,000,000.00	\$368.39	9
Georgia	122,000	\$4,000,000,000	24,500,000.00	\$200.82	4
Kentucky	34,000	\$1,200,000,000	12,500,000.00	\$367.65	8
<b>Louisiana</b>	<b>104,233</b>	<b>\$2,300,000,000</b>	<b>29,000,000.00</b>	<b>\$278.22</b>	<b>7</b>
Maryland	72,460	\$2,900,000,000	28,000,000.00	\$386.42	10
Mississippi	54,000	\$1,300,000,000	6,100,000.00	\$112.96	2
North Carolina	123,000	\$6,500,000,000	Not available	Not available	Not available
Oklahoma	65,000	Not available	Not available	Not available	Not available
Tennessee	85,000	\$2,300,000,000	14,000,000.00	\$164.71	3
Texas	165,000	\$4,200,000,000	38,500,000.00	\$233.33	6
Virginia	130,000	\$6,000,000,000	27,000,000.00	\$207.69	5
West Virginia	43,000	\$800,000,000	Not available	Not available	Not available
<b>AVERAGE</b>	90,799	\$3,115,384,615	25,457,000.00	\$238.18	

GENERAL PERFORMANCE INFORMATION: VEHICLE COVERAGE, SOUTHERN STATE COMPARISON				
STATE	VEHICLES	AVERAGE PAID LOSSES PER YEAR	AVERAGE PAID LOSSES/YEAR PER VEHICLE	RANK  LOWEST TO HIGHEST
Alabama	7,000	\$1,300,000	\$186	5
Arkansas	8,000	\$430,000	\$54	2
Florida	23,374	4,500,000	\$193	7
Georgia	22,000	\$5,000,000	\$227	8
Kentucky	7,500	Not available	Not available	Not available
<b>Louisiana</b>	<b>10,264</b>	<b>\$4,900,000</b>	<b>\$477</b>	<b>9</b>
Maryland	12,300	\$2,300,000	\$187	6
Mississippi	6,403	\$6,492,642	\$1,014	11
North Carolina	36,000	\$5,400,000	\$150	4
Oklahoma	9,000	Not available	Not available	Not available
Tennessee	10,415	Not available	Not available	Not available
Texas	28,741	\$600,000	\$21	1
Virginia	19,000	\$1,270,000	\$67	3
West Virginia	9,000	\$5,400,000	\$600	10
Average	14,928	\$4,003,235	\$289	

Source: State Risk & Insurance Management Association, State Risk Management Survey, 26th Annual Conference, September 24-28, 2000, Monterey, California.

## RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1999- 2000	ACT 2 2000 - 2001	EXISTING 2000 - 2001	CONTINUATION 2001 - 2002	RECOMMENDED 2001 - 2002	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	102,897,159	93,550,732	93,550,732	111,396,453	79,003,090	(14,547,642)
Statutory Dedications	0	0	0	0	0	0
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	<u><u>\$102,897,159</u></u>	<u><u>\$93,550,732</u></u>	<u><u>\$93,550,732</u></u>	<u><u>\$111,396,453</u></u>	<u><u>\$79,003,090</u></u>	<u><u>(\$14,547,642)</u></u>
EXPENDITURES & REQUEST:						
Salaries	\$0	\$0	\$0	\$0	\$0	\$0
Other Compensation	0	0	0	0	0	0
Related Benefits	0	0	0	0	0	0
Total Operating Expenses	1,833	0	0	0	0	0
Professional Services	484,794	515,001	515,001	515,001	515,001	0
Total Other Charges	102,410,532	93,035,731	93,035,731	110,881,452	78,488,089	(14,547,642)
Total Acq. & Major Repairs	0	0	0	0	0	0
TOTAL EXPENDITURES AND REQUEST	<u><u>\$102,897,159</u></u>	<u><u>\$93,550,732</u></u>	<u><u>\$93,550,732</u></u>	<u><u>\$111,396,453</u></u>	<u><u>\$79,003,090</u></u>	<u><u>(\$14,547,642)</u></u>
AUTHORIZED FULL-TIME EQUIVALENTS: Classified	0	0	0	0	0	0
Unclassified	0	0	0	0	0	0
TOTAL	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

## SOURCE OF FUNDING

This program is funded with Fees and Self-generated Revenues. Fees and Self-generated Revenues are derived from premiums billed for insurance provided by this Office and from interest earnings from the self-insurance fund. State and quasi-state entities obtain insurance through the Office of Risk Management.

## ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$0	\$93,550,732	0	ACT 2 FISCAL YEAR 2000-2001
			BA-7 TRANSACTIONS:
\$0	\$0	0	
\$0	\$93,550,732	0	EXISTING OPERATING BUDGET – December 15, 2000
\$0	(\$14,547,642)	0	Other Adjustments - Reduction to anticipated revenues
\$0	\$79,003,090	0	TOTAL RECOMMENDED
\$0	\$0	0	LESS GOVERNOR'S SUPPLEMENTARY RECOMMENDATIONS
\$0	\$79,003,090	0	BASE EXECUTIVE BUDGET FISCAL YEAR 2001-2002
			SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE:
\$0	\$0	0	None
\$0	\$0	0	TOTAL SUPPLEMENTARY RECOMMENDATIONS CONTINGENT ON NEW REVENUE
\$0	\$79,003,090	0	GRAND TOTAL RECOMMENDED

The total means of financing for this program is recommended at 84.4% of the existing operating budget. It represents 48% of the total request (\$164,575,620) for this program. At the recommended levels, this program has been provided funding to meet \$79 million of claims payments and other obligations during Fiscal Year 2001-2002; any shortfall will be absorbed from the Cash Reserve Balance. The adjustment made in this program was decreased funding for All Lines of Coverage -\$14,547,642.

## PROFESSIONAL SERVICES

\$348,334	Medical Review Audits to provide (Medical Utilization Review Program for employees eligible for Workers' Compensation); Pre-certifications and Examinations of Workers' Compensation Claims and Medical Cost Management
\$166,667	Elevator Inspections (Statewide)
<b>\$515,001</b>	<b>TOTAL PROFESSIONAL SERVICES</b>

## OTHER CHARGES

\$78,488,089	Claims payments for Medical Malpractice, Road Hazard, Comprehensive General Liability, Personal injury, Auto Liability, Auto Physical Damage, Property Bonds, Crime, Wet Marine, Aviation, and Boiler and Machinery , Worker's Compensation coverage for State entities'
<b>\$78,488,089</b>	<b>SUB-TOTAL OTHER CHARGES</b>

### **Interagency Transfers:**

This program does not have funding for Interagency Transfers for Fiscal Year 2001-2002.

<b>\$78,488,089</b>	<b>TOTAL OTHER CHARGES</b>
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## ACQUISITIONS AND MAJOR REPAIRS

This program does not have funding for Acquisitions and Major Repairs for Fiscal Year 2001-2002.